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COOPERATIVES and the FUTURE

**26 th Annual Workshop
December 9 - 13 , 1963**

Farmer Cooperative Service

U. S. Department of Agriculture

FARMER COOPERATIVE SERVICE
U. S. DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C.

Joseph G. Knapp, Administrator

The Farmer Cooperative Service conducts research studies and service activities of assistance to farmers in connection with cooperatives engaged in marketing farm products, purchasing farm supplies, and supplying business services. The work of the Service relates to problems of management, organization, policies, financing, merchandising, product quality, costs, efficiency, and membership.

The Service publishes the results of such studies; confers and advises with officials of farmer cooperatives; and works with educational agencies, cooperatives, and others in the dissemination of information relating to cooperative principles and practices.

PREFACE

This report highlights the proceedings of the 26th Annual Workshop of Farmer Cooperative Service (FCS), U. S. Department of Agriculture. The Workshop was held December 9-13, 1963, in Washington, D. C. "Cooperatives and the Future" was the general theme.

The many thoughts expressed at the Workshop are distilled and preserved in this report so they will be available for reference and use of FCS staff members primarily. Visiting speakers each receive a copy, and then there are a limited number of copies available for distribution to other interested parties.

The views presented are those of the speakers and do not necessarily reflect official views of FCS.

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SESSION I

Cooperatives and the Future

Workshop Objectives

■ Joseph G. Knapp

In our Workshop this year we will look to the future. We are using the theme of the national conference on "Cooperatives and the Future," held here at the Shoreham Hotel in April when several hundred cooperative leaders met to consider how cooperatives could be of greater usefulness in helping farmers solve their industry problems. None of us who were there will ever forget how President John F. Kennedy came out in the rain on the White House lawn to greet and encourage the participants.

All our Workshops since 1939 have been pointed toward the future--but in a period of economic and social revolution such as we are in today, the future is upon us and becomes almost the present.

We can help make the future and the challenge to us was never greater.

Cooperatives are still a pioneering form of business enterprise in America, but this fact is not sufficiently recognized. How can we help people better understand how cooperatives can be used more to benefit not only agriculture but our whole economy?

Some of our objectives this year will be:

1. To help us do a better job through getting new ideas.
2. To see how others can help us--and how we can help others.

3. To expand our horizons. We need vision as well as energy.

Today we hear a lot about Big Business and Big Cooperatives. Can we have big cooperatives and still have them under control of those they serve? This is one of the questions that must concern us.

This Workshop won't give us all the answers--but it will give us the

advantages of pooled thinking. All cooperative-minded people should agree on this principle--that two minds may be better than one--if each has something to contribute. By working together we can do more than any one of us can do by himself.

Let's use this opportunity to freshen our minds and get a new grip on our problems.

Statement by the Under Secretary of Agriculture

■ Charles S. Murphy

The Department of Agriculture is greatly interested in Rural Areas Development--in opening up new and better opportunities to decrease poverty existing through most rural areas.

Only recently we received a request from the President's Council of Economic Advisors as to what could be done to erase rural poverty. In our reply, we offered recommendations which were very favorably received.

Although only about one-third of the total population in the United States live in rural areas, one-half of the total poverty is found there. Thus, the incidence of poverty is much more severe in rural than in urban areas. Of the rural

population, only about one-fourth live on the farm. To relieve rural poverty, Rural Areas Development work must be directed toward both farm and nonfarm activities.

The need for more off-farm work will become even more acute as fewer and fewer farmers produce food for the remainder of the population. As an example, only 1 of every 10 boys now growing up on farms will have an opportunity to earn a living as the operator of an adequate family farm. The other 9 must find employment opportunities elsewhere. Farmer Cooperative Service, along with other Department agencies, must continue to take a more active part in RAD programs to help promote more and better opportunities for rural people.

Future Trends in Agriculture and the Economy

■ Nathan M. Koffsky

The forecasts made at the 41st Annual Agricultural Outlook Conference for 1964

illustrate the divergent prospects for the general economy and for agriculture

typical throughout most of the postwar period.

For the general economy we expect further economic growth next year. New record highs are anticipated for employment and consumer incomes, as the American standard of living slips forward a notch. But, in many ways, we have a split economy, masked by strong upward trends--trends characterizing most major economic indicators.

We have a record level of employment and a high level of unemployment. We have a scarcity of highly trained labor and a heavy oversupply of unskilled labor. We have chronically depressed areas in the midst of plenty. We have extended the life span but not made it much easier for the aging to enjoy life.

The problems of running a full-employment economy will not be overcome easily. Between 1950 and 1960 the labor force grew by some 8 million persons. Between 1960 and 1970 the labor force will increase by about 14 million persons. It is important that job opportunities be generated for this group. Furthermore, it is imperative that educational facilities be available for this onrush of young people.

We saw, in the last 10 years more than half of the counties in the U. S. lose population. Most of these were rural counties. During the last decade, the important agricultural tier of States running from Minnesota and North Dakota in the north, down to Louisiana and Texas in the south, every State showed a decline in rural population--in some instances as high as 20 percent. This corrodes the capacity of the rural community to maintain public services, especially education.

Perhaps it is not generally recognized that nearly half the poverty of the nation exists in rural areas, whereas less than one-third of the people live there. The incidence of unemployment and underemployment is much heavier in rural areas than in urban areas. By any standard--the level of education, the level of housing facilities, the level of medical services--the rural areas stand at a disadvantage.

To realize the potential of the American economy and meet the needs of its people we need to find ways to accelerate changes from what we have known in the past. Economic growth means change--the ebb and flow of industries--the movement of population--redevelopment from the city to the suburbs and from the small rural town beyond.

Opportunities and Obstacles Ahead for Cooperatives

■ Kenneth D. Naden

Income distribution is a top priority problem in the world today--among nations--among various segments of the economy--among the farm population. Income distribution is affected directly by the rate and type of economic development in an area or Nation. We stress the need

of economic studies; however, we know little about the forces causing economic growth. At the present time, these forces are largely uncontrolled.

Farmers have always been oriented more toward "production" than toward

marketing or the marketing economy. There is an opportunity for cooperatives to do more toward developing a market-oriented agricultural economy.

Future cooperative growth will depend largely on the ability of cooperatives to create and maintain administered prices for products being marketed. Prices, and hence income, to various segments of the economy are generated

in the market place. The agricultural segment has the fewest administered prices and, consequently, smaller returns to capital invested than have other industries.

If agricultural cooperatives are to do all they can to improve farm income, they must develop greater market power through horizontal and vertical integration.

Recommendations of the Conference on Cooperatives and the Future

■ J. Kenneth Stern

Cooperatives have been coming into a more favorable light nationally and internationally, but there are still far too many who do not know the truth about them. The facts should be disseminated by all people connected with cooperatives.

We believe that the enlarging opportunities and the sharper challenges confronting America's cooperatives require more attention and consideration. We submit the following recommendations for actions to accomplish this:

1. Widespread dissemination of Secretary Freeman's statement toward cooperatives

2. Research studies of benefit to cooperatives

3. Establishment of a system for designating the number and location of cooperatives based on economic need

4. Increase of the Farmer Cooperative Service budget

5. Designation of more Federal funds to land-grant colleges for cooperative studies

6. Establishment of State advisory committees

7. Inclusion of cooperative studies in all farm youth organizations, such as FFA, FHA, 4-H

8. Increase in the number of scholarships offered by cooperatives

9. Elimination of the difficulties to research and extension workers caused by county and state lines

10. Designation of more funds in developing countries for cooperative research and education.

SESSION II

Cooperatives and Rural Development

Cooperatives' Role in Rural Development

■ John A. Baker

Farmer Cooperative Service, to meet modern needs of cooperatives and to be of significant assistance to them in long-range planning, needs to:

1. Study research problems that are more complex and sophisticated in relation to market structure and management than heretofore undertaken.
2. Find ways of extending cooperative techniques to meet needs of new kinds of activities.
3. Organize cooperatives in areas not having them.
4. Place greater emphasis on Department-wide staff functions of FCS.

The staff of FCS, in encouraging growth of cooperatives and helping increase efficiency of established cooperatives, must serve a manifold function. They must address themselves to more complex research problems of building larger, stronger cooperatives which can gain

more bargaining power and can better meet competition. This may involve exploring new dimensions in management and finance and projecting the impact and demands of changes in the market structure.

Attention needs to be directed toward applying cooperative techniques of research, education and service of other areas such as recreation. Hunting preserves and vacation farms are good examples of applying these techniques to increase farmers' income.

In working toward points 3 and 4, FCS should generate interest in cooperatives where they do not exist but are needed. In areas which already have cooperatives, more attention needs to be given to expanding their scope of operation.

We believe that by putting increased emphasis on these points, FCS can better assist cooperatives so they will play an even more effective role in rural development.

What Southern States Cooperative is Doing in Rural Development

■ William D. Moore, Jr.

"People working with people"--this sums up the essence of a cooperative. It is not surprising, then that the farm people in Southern States Cooperative are particularly well adapted for leadership in Rural Areas Development.

Such leadership can do much to assure development and expansion of natural agricultural potentials and related assets.

Our people in Southern States Cooperative are not interested in promoting flight from the land. First, we want to work with the Rural Areas Development program (RAD) toward improving and extending farming and related rural enterprises. Second, we wish to help others establish any suitable nonagricultural industries to provide needed extra income for our farm people.

In the fall of 1961 we made a survey of our field forces to find out who was doing what in RAD. We learned that some--but not enough--of our people were on local committees or otherwise assisting the RAD program. With 159 of the 299 counties in our operating territory designated for assistance under the Area Redevelopment Act, we needed many more Southern States' employees and farmer-owners in positions of leadership. When Secretary of Agriculture Orville Freeman spoke at our Annual Stockholders' Meeting, and sold Southern States' management on both the need and the opportunity for cooperative activity in RAD we really began to move.

We sent a list of State Extension and FHA employees to each of our regional

managers. We also sent copies of reports, lists of State RAD Committees, and material supplied by Extension and others. We asked them to discuss this information with their staff, service agency manager, other employees, and farmers at every opportunity.

One of the most concise, clear, and complete information pieces we distributed was a booklet of questions and answers, Information 38, "What Co-ops Need to Know About RAD," published by Farmer Cooperative Service. This was sent to our service agency managers with a letter, urging them to participate in local RAD Programs.

In Elliott County we joined the Extension Service of the University of Kentucky in developing and expanding feeder pig and commercial egg production. We started work on this about a year ago. Real progress is being made in expanding both of these projects.

In Mineral County, West Virginia, our Southern States Advisory Committee recommended to the County RAD Committee that we work with Extension Service, Farmers Home Administration (FHA), and other agencies on three projects: (1) The development of feeder pig production operations; (2) the development of commercial layer operations in controlled environment houses; and (3) an exploration of the needs for a cooperative wood marketing organization in that area.

In Cumberland County, Virginia, our Southern States Advisory Committee recommended to the RAD Committee that

we join Extension Service, FHA, and other agencies in developing ten 20-sow units for feeder pig production, and ten commercial layer controlled environment operators with a minimum of 10,000 birds each. They also recommended we join the Dark Fired Tobacco Association in expanding their alfalfa hay production program from the present 150 acres to a possible 300 acres; and that we explore the needs and feasibility of providing wood marketing and processing services.

In response to requests that Southern States Cooperative consider providing service in wood marketing, several conferences were held during the summer at

the University of West Virginia, as well as with USDA people in Washington. We joined the Tri-State Pulp Cooperative Association and Farmer Cooperative Service in requesting a feasibility study to determine both the economic need and the possibilities for such a venture.

Our experience in each of these "pilot" counties underscores what I have already mentioned--the need for more emphasis on developing agriculture and other native resources. The establishment of new industries alone will not begin to solve all the problems of rural areas. Farmer cooperatives can help rural people understand and develop the potentials that already lie before them.

What USDA Agencies Are Doing in Rural Areas Development (Panel)

■ A. Turley Mace, Moderator

The Office of the Rural Areas Development in the Department of Agriculture has many functions. Its chief job is to provide leadership and initiative in the policy making and planning of the RAD program. We are, in part, a liaison office and a coordinator of activities of all Department agencies, as well as other groups to improve rural areas. Our work in RAD centers around the development of new and better opportunities for rural people through the expansion and develop-

ment of rural industries, businesses, public facilities, and the better use of resources.

The panel members who will discuss the role their respective agency has in the RAD program include Richard M. Hausler of REA; Everett C. Weitzell of FES; Thomas L. Ayers of ASCS; Eliot W. Zimmerman of FS; Lloyd E. Partain of SCS; and Robert C. Crites, of FHA.

Rural Electrification Administration

■ Richard M. Hausler

The Rural Electrification Administration created a Rural Areas Development staff in 1961 to provide technical assist-

ance and help in finding credit needed to develop rural industries and businesses. We work with borrowers, and, in areas

designated for special help under an Area Redevelopment Act, with others to carry out USDA responsibilities delegated under that act.

Very few of the hundreds of projects on which we have worked are organized

on a cooperative basis. While more of them might be stronger or better as cooperatives, the type of corporate structure is properly determined by local people. All we can do is work on the project proposals they initiate.

Federal Extension Service

■ Everett C. Weitzell

The Federal Extension Service provides educational assistance and leadership through State Extension Services in organizing RAD committees. As RAD committees are organized, Extension continues to furnish assistance and leadership in appraising the physical and human resources available--in identifying and analyzing problems--in evaluating potential programs or projects designed to better utilize an area resources.

The Extension Service furnishes as-

sistance and leadership to some 2,200 RAD committees having over 60,000 members. RAD committee representatives come from all areas of industry, agriculture, business, local government, cooperatives, etc.--interested in improving rural areas.

For many years, Extension has been instrumental in promoting the establishment of cooperatives and, more recently, in promoting their development under the RAD program.

Agricultural Stabilization and Conservation Service

■ Thomas L. Ayers

The Agricultural Stabilization and Conservation Service through the Agricultural Conservation Program provides cost-sharing assistance for carrying out approved soil, water, wildlife, and woodland conservation practices on farms and ranches. Two or more farmers may enter a pooling agreement and receive ACP cost-sharing assistance to help them solve a community conservation problem. About 2,000 such cooperative projects are carried out each year.

Under its pilot cropland Conversion Program, ASCS assists farmers to shift

lands, not now needed to produce food and fiber, to other economic uses. This assistance is in the form of transition payments during an adjustment period and cost-sharing for installing needed practices. Improvements made under these two major programs can add substantially to the economic opportunities available to a rural community.

The ASCS also provides aid through its price support, and production adjustment programs to help develop and encourage more profitable farming operations.

The activities of ASCS are carried out through State, county, and local committees. These committees provide a lot of manpower to help promote and perform more rural areas

development work. Our biggest job is to inform these committees about RAD work and motivate them to get more people interested in activities that develop rural areas.

Forest Service

■ Eliot W. Zimmerman

The Forest Service provides technical assistance and advice for State, area, and county committees--committees that hope to increase employment by increasing woodland management, processing of forest products and recreational facilities.

We also have responsibilities of administering National Forests and Grasslands areas, as well as cooperating in State and private forestry programs. The resources and programs of the Forest

Service are helping develop our rural areas.

Although there are few forestry cooperatives, many foresters look upon them as a means through which woodland owners, especially owners of small acreages, may achieve more efficiency in production and marketing.

And so it is that the Forest Service is increasing its emphasis on organizing cooperatives for marketing forest products.

Soil Conservation Service

■ Lloyd E. Partain

The Soil Conservation Service has many responsibilities. It is our responsibility to provide technical assistance through local soil conservation districts to cooperators for planning, applying, and maintaining conservation farm systems.

Along with this, we have the responsibility of assisting land owners and operators in developing recreational facilities, such as fish ponds and wildlife areas. In addition, we provide assistance in carrying out watershed projects to control floods and siltation--projects that also supply water for agricultural, municipal, industrial, recreational, and related uses.

SCS has devoted its resources to developing recreational areas and facilities for some time. Recently there has been an increased interest as well as a greater need for such facilities. Last year we helped plan and establish 10,000 recreational facilities on farms.

We provide technical assistance to the rural resident on these projects and act as consultants to municipality, county, and community planning groups as they arrange to build or expand housing facilities, roads, and schools. All this makes for better living conditions in rural areas.

Farmers Home Administration

■ Robert S. Crites

Farmers Home Administration provides a financial backstop for nearly every kind of Rural Areas Development. If farmers and rural groups are unable to borrow money from other sources to carry out their rural development plans, they come to us. In the fiscal year, ending last June, the Farmers Home Administration pumped three quarters of a billion dollars worth of credit into the economy of rural areas. For home building alone in rural areas, we loaned more than one hundred eighty million dollars.

I have long maintained that a man, who can do a good job by himself, can do a better job by cooperating with his neighbors. We are especially proud of the credit we have provided to farmers and rural people for cooperating in rural areas development.

Endless opportunities exist for economic development in rural areas by

providing recreational facilities to meet the growing demands of city people. Three-fourths of the money we have loaned for recreational development went to cooperative organizations. If recreation enterprises are really to stimulate the rural economy, retention of ownership, operation, and management in the hands of the former and rural resident is a critical problem. The greatest benefits will accrue to local people where both profits and employment income go to them.

There are many phases of rural recreation in which cooperatives are a must if farmers are to retain control: (1) Advertising, (2) Purchasing, (3) Training, (4) Standardization or certification of quality, (5) Insurance, (6) Legal services.

Recreation offers a new and challenging field for the Farmer Cooperative Service to provide vital assistance to farmers and rural residents.

SESSION III

New Approaches to Research and Service Work

The Scientific Method, With Special Reference to Problems of Agriculture

■ Kenneth E. Ogren

The scientific method is defined in Webster's 7th Collegiate Dictionary as "principles and procedures for systematic pursuit of knowledge involving the recognition and formulation of a problem, the collection of data through observation and experimentation, and the formulation and testing of hypotheses."

This morass of semantics leaves many still asking, "What is the scientific method?"

In fairness to the definition, it does give us the essence of scientific problem solving--recognition and definition of problems, observation, experimentation, classification, and the formation of hypotheses and probabilities.

Still, those of us in economics and the other social sciences may be at a definitive disadvantage when it comes to using the scientific method. Our work is not in the precise terms of an organic chemist or an electrical engineer. At least it appears more complex than the physical sciences

because of the kaleidoscopic relationships of man to the subject we study.

Luckily, the scientific method is one procedure in the progress of man and science that need not be followed 100 percent. The scientific method is a means, not an end.

Then why be too concerned about it?

For one thing, the use of scientific theory will become increasingly important to social scientists, especially in agriculture, in the years ahead. Daily, more and more information becomes available to us. In order to explore and expand this growing knowledge, we are almost forced to use the scientific method.

Even the "truths" of today are frequently disproved by tomorrow's knowledge or theory. Truth as we know it is neither final nor irrevocable. While facts and theories become obsolete, the formulation of theories and plausible hypotheses do not.

And so we follow the universally accepted process--the scientific method--at the same time mindful that no problem of importance and scope is solely economic, political, social, or educational. The economist, for example, repeatedly finds that economic theory alone is not enough.

The social scientist of 1964 must be knowledgeable about a lot of things. In addition, he cannot yield to the temptation of injecting personal or social "value judgements" into his work, if he hopes to come up with a pure and unbiased hypothesis. We, after all, attempt to understand how things do behave and why they behave that way, rather than how they should behave.

Our ancestors used what we might call "value judgements" when, in prejudice and superstition, they refused to believe the proof that the earth was round and that it revolved around the sun.

We must, in short, be critical of the way we use the scientific method; we must be prepared to apply it correctly and objectively.

Science makes progress through the use of the scientific method and man makes progress through the use of science, but, certainly, this is not the only way man can progress. Moses proved that on Mt. Sinai when he helped advance man's values, beliefs, and knowledge without giving thought to scientific approach.

Approaches to Problems of Merger, Consolidation and Acquisition

■ J. Warren Mather

Most of our merger studies have concentrated on the economic advantages of combining cooperatives. But human relations problems determine whether a merger goes through more often than economic considerations. Therefore, I believe our reports should discuss the problems of handling key personnel and directors and present alternatives.

We might improve our approaches in this area with studies by rural sociologists, psychiatrists, or political scientists. These should not only determine why directors, managers, and other employees oppose mergers, but also what steps might be taken to overcome this opposition.

Another approach might be to conduct more educational work among directors and managers before attempting mergers. I believe the numerous meetings to consider a statewide egg marketing and feed manufacturing association in California, as well as an earlier merger study, helped to bring about the recent mergers of Nulaid Farmers Association, Hayward Poultry Producers Association, and two smaller cooperatives in the State.

A new and more scientific approach is being used in Dickinson County, Kans., by Bert Miner of FCS. It examines the possibilities of combining 14 local grain and supply cooperatives serving the county. Two regional associations and

the Wichita Bank for Cooperatives are assisting with the study.

The first-phase report provides information on characteristics of the 14 cooperatives; the second gives detailed information on 51 leading farmers and brief data on the remaining 1,600 farmers in the county; and the third covers the feasibility of combining the cooperatives into either one, two, or three associations. An economic model was developed and used as one standard for comparing alternative combinations, and a composite of existing cooperatives served as another standard. Linear programming was not

used to determine the lowest cost combination. Perhaps use of linear programming and consideration of a cooperative covering more than one county would have provided a combination of resources resulting in greater economic effectiveness.

Another approach to which we should give more attention is followup or follow-through. Frequently there is need for more local leadership that will push forward with unification proposals and see that they are considered from the standpoint of what is best for farmers in the area.

Discussant

■ William J. Monroe

Warren Mather stated: "Human relations problems determine whether a merger goes through more often than economic advantages."

I agree with this statement, and I feel we can improve our assistance to cooperatives and farmers by putting greater emphasis on studying the sociological and political aspects of mergers.

Perhaps our effort should be directed to studying personalities, traditions, and marketing environment of the cooperatives with the aim of providing directors and managers with insight into what the merged cooperative could be. This we should do to assist them in looking at the broad aspect of better service to members through a larger and stronger organization.

Approaches to Measurement of the Performance and Potentials of Cooperatives

■ John T. Haas

Webster says performance is "the execution of the functions required of one." The approach taken to measure

performance, then depends in part upon the assumed objectives and economic nature of cooperatives.

If cooperatives are assumed to be firms, a measure based on theory of the firm could be applied to them directly. If they are assumed to be associations of firms operating common plants jointly, then their performance should be measured only indirectly by measuring their impact upon the member firms.

Dr. George L. Mehren has suggested another approach that would include elements of both of these concepts (1) by comparing operations of member firms with what they would be if they were not members of a cooperative and (2) by comparing the structure, policies, and procedures of cooperatives with those of their private competition.

What about measuring performance in terms of economic objectives? Dr. E. G. Nourse considers the cooperative's objective to be that of a "pilot plant" and "yardstick" operation. With this objective, performance could be measured by analyzing the effect of cooperatives on competition in that segment of the economy in which they operate. Another approach would be to measure performance in terms of the cooperative's own stated objectives.

Other possible approaches are: (1) the farmer's return on his co-op investment; (2) the cooperative's success in providing

a dependable source of supply and a market which eliminates squeeze and pressure tactics; and (3) the degree to which farmers are treated equitably, but not necessarily equally.

Cooperatives also have social objectives against which performance can be measured. These objectives are many and varied, such as preventing loss of individuality, serving as training schools for democracy, preserving the character of rural communities, and educating farmers on the economic facts of life. There could be many approaches to measuring cooperative performance in the social realm, but they all boil down to measuring a cooperative's effect on the betterment of social conditions of farm families and residents of rural communities.

Potential is that which exists as a possibility. We cannot accurately measure potential since we do not know what is possible. But, potential of a cooperative hinges on its past performance. Perhaps we can estimate a cooperative's potential by looking at its objectives and its performance in meeting them.

In summary, we need to determine what a cooperative is and what its objectives are before we attempt to measure its performance and its potential.

Discussant

■ Fred E. Hulse

John Haas has covered a lot of ground. Since I find myself in agreement with the general concept of his paper, I am going

to confine my remarks to a re-emphasis of some points and a few suggestions about some specific areas of measurement.

Many quantitative measures of performance and potential applied to other types of business organizations can be and are used for cooperatives. These include business volume, services performed, and share of the market. These and other measures of performance and potential may not tell the full story for cooperatives, but they can provide clues to economic success or failure.

More attention should be given to market structure analysis, including the conduct and performance aspects of structure. "The great merit of the structure-conduct-performance approach," according to Dr. Harold Breimyer, "is that it becomes a nagging remainder of the multiple criteria we must always employ."

If you accept the philosophy that cooperatives are yardstick operations, you must expect to use measures of performance that go beyond the ordinary.

Cooperative performance should be a cut above that of competing business firms.

Measuring performance or potential might well begin with a close examination of both long-range objectives and operational goals. Are these used in determining policy and in directing operations? How well do they reflect the needs of the members and patrons? Do they help the cooperatives meet community needs--the needs of rural America?

Management must bear a major responsibility for a cooperative's past performance and its potential. One measure of management's performance, set by the cooperative itself, is called salary. Does it measure up to the salaries of competing businesses? Does it reflect the yardstick philosophy? Or does it question management's potential and thus the potential of the association?

Approaches to Theoretical Analysis of Cooperative Enterprises

■ Martin A. Blum

Students of cooperation hold a wide range of views on the economic nature of the cooperative form of organization.

Economists agree that a cooperative is essentially a nonprofit institution guided by the principle of service at cost for the benefit of patrons. But after this is said, we enter into an area of real controversy because the usual concept of the firm--an economic unit motivated by profit--does not appear to adequately fit a truly cooperative association.

If the cooperative is considered to be a firm, attention may be centered on the cooperative itself as a going economic concern. If it isn't, it follows that attention must be directed more to the participants in the cooperative activity.

There appear to be three basic economic interpretations given to the cooperative form of enterprise. One school of thought holds that a cooperative is essentially a voluntary, and consequently revocable, horizontal combination of firms similar to a cartel. Another, perhaps

somewhat more sophisticated, holds that a cooperative represents vertical as well as horizontal integration.

Both of these schools hold that a cooperative is as aggregate of economic units, each fully retaining its independence in seeking profits.

A third school of thought holds that a cooperative is a separate economic entity--a firm of a special type--having its own managerial problems. This is the view generally held by those who perform professional work for cooperatives.

Each of the three major theoretical approaches appears to have certain inherent strengths and weaknesses. The challenge to researchers is to objectively test the validity of these concepts and the conclusions that flow from them. A realistic theory of the nature of cooperative will provide us with a reasonable basis for predicting how it will react to given stimuli. As a result, cooperative researchers and advisors would be better able to develop and recommend courses of action consistent with basic cooperative objectives.

Discussant

■ Gilbert W. Biggs

The former speaker is endowed with the remarkable facility of placing things in their proper perspective. He has placed his finger on the crux of the controversy over the economic nature of the cooperative association, and has pointed out the usefulness of theory.

However, if the theorist cannot decide whether a cooperative is a firm in its own right, or a loosely knit cartel arrangement resulting in an emasculated organization incapable of performing the entrepreneurial function, then the applied economist is left in

a very difficult position in his work with cooperatives.

If economic theory of cooperative enterprise is to play its proper role by providing the questions to be asked, it appears that more work need to be done in that field in order to clarify our thinking.

Finally, regardless of the divergent views concerning the theoretical explanation of cooperative enterprise, the applied economist must work with cooperatives to help them solve their problems in an increasingly complex economy.

Approaches to Problems of Decision -Making and Other Aspects of Cooperative Management

■ David Volkin

Decision-making is carried out under varying degrees of risk. Cooperative

officials, responsible for making decisions, must take these risks into account

in weighing the cause-effect impact of their decisions.

The preparation of financial and operating budgets introduces a systematic method for planning operations and shows results in dollars. In the process we suggest that operating and financial results be identified with individuals or organizational units responsible for them.

Successful use of the technique of "responsibility budgeting" depends on several things. It depends on management's acceptance of their clearly under-

stood responsibilities and concurrent authorities. Reasonable and attainable performance standards must be established. Operating and financial budgets must be prepared. Most significantly, this approach demands that decision-makers put projections and estimates on the line in concrete terms.

This done--results, operational and fiscal, will speak for themselves. Not only is responsibility pinpointed, but, more important, decision-makers have a rich source of material on which to make future plans and, hopefully, reduce risks involved in future decisions.

Discussant

■ George C. Allen

The "responsibility budgeting" technique appears to be the same concept often referred to as "management-by-exception." Management-by-exception is not a panacea for management's problems. It is merely a tool devised by management to replace people with plans and things.

Under such a program the results of overall decisions are handled automatically by machines. So long as these results fall within predefined perimeters, similar subsequent decisions are likewise made by machines and/or clerks.

Ultimately, however, all of management's decisions involve people. Inevitably, exceptions must be made. When

these exceptions in the program occur, the true competence of management is measured.

Management-by-exception tests the metal of junior as well as senior executives. The technique pinpoints responsibility. The individual pinpointed is ready to rationalize and point a finger at another executive. This situation can only be resolved by a strong executive in the top echelon of management. Weak top management, employing management-by-exception techniques, tend to destroy incentive and decision-making power at all lower levels of management. Consequently, this technique is probably suitable only where strong, aggressive, and experienced management is available.

SESSION IV

Better FCS Operating Methods

How OMS Supports the FCS Program

■ Charles F. Kiefer

The purpose and responsibility of the Office of Management Services is to provide the Farmer Cooperative Service with the technical and managerial service and expertise that economy of scale allows in a consolidated organization. In all our operations we in OMS are keeping up and improving management services to FCS.

Specifically OMS is currently working in support of FCS programs by:

1. Becoming informed and keeping up with FCS program activities.

2. Becoming better acquainted with FCS persons.

3. Improving the depth of FCS budget preparation and presentation.

4. Preparing for discussions on the use of the "man-in-the-job" concept in FCS.

I hope you will continue to feel free to call on us in our areas of competence. If we have not already volunteered, at least we have not refused! We are all very busy, but not too busy to respond to FCS.

Managing Research and Service Programs

■ Wendell M. McMillan

Two of the most important elements in the P-O-D-C-C management formula (planning, organizing, directing, coordi-

nating, and controlling) are the first and last--planning and controlling. Planning involves deciding what work is to be done

and controlling involves determining what work actually has been done, and how well.

The purpose of this talk is to suggest some ways these elements of management can be adapted to the type of work done in FCS; that is, research, advisory service, and education.

In planning the research and service program, consideration must first be given to rethinking and redefining the objectives of the agency and its divisions and branches. In light of these objectives, then, the specific problem areas needing research and service work must be determined and evaluated, and priorities assigned.

Helpful here is a "problem index" in which branches can systematically accumulate problems as they become known. Also a "frame of reference" is essential in evaluating and rating problems. The annual program evaluation review provides a systematic way for researchers and supervisors to review objectives, evaluate problems, and set priorities.

Once priorities are set, planning returns to the professional researchers in terms of goals and time schedules on

line projects. The main technique here is to break each individual line project into phases (such as planning, questionnaires, data collection, analysis, manuscript, and publication); estimate how long each phase should take (in terms of professional man-hours and of "start" and "finish" dates); and then set these estimates down on some kind of scheduling form or chart. (Note: A specific suggested "Project Progress Schedule" was displayed.) This scheduling chart would provide--with "hard" figures and in visual form--both guidelines and deadlines for each of the agency's line projects.

We now turn to the controlling phase of management. This would be done through a monthly reporting system that shows, by months and "to date," the inputs (professional man-hours) and the outputs (phases completed, projects completed, publications, contacts, speeches, and so on) relating to each project. (Note: A specific suggested "Monthly Report of Operations" was displayed.)

The inputs and outputs would be aggregated to provide branch, division, and agency reports. The data would also be cross-tabulated to show current and "to date" inputs and outputs in program, by problem area, and by geographic location.

Coordinating FCS Work With the Work of Colleges, Banks, Other Agencies

■ Robert J. Byrne

The word coordination, which means working together, is not foreign to our vocabulary--it's a one-word description of farmer cooperatives and of FCS itself.

Our methods in FCS of coordinating work with others take several forms--contracts, joint studies, jointly sponsored conferences, schools and workshops, co-operative agreements, and various in-

formal arrangements including FCS membership on intra- and inter-departmental committees.

During the past 3 years, we have signed nine contracts for research studies with six State colleges and three contracts with private research firms plus one cooperative agreement. We have sponsored 10 membership relations conferences jointly with American Institute of Cooperation and 19 bookkeeping schools with Banks for Cooperatives, State cooperative councils, and State colleges.

Following are some suggestions to better coordinate our work with that of colleges, banks, and others.

1. One important coordinating medium is the central project file. Here one can review project statements on research that is underway or has been completed by other agencies.

2. We should contract research with State colleges whenever possible and feasible. Instead of contracting whole research studies only, we should also consider contracting segments of studies.

3. We need to consider using more cooperative agreements.

4. We need to work more closely with Banks for Cooperatives.

5. We need to work more with State departments of agriculture, State colleges, State experiment stations, and USDA agencies so that they become more aware of farmer cooperatives and their problems.

6. We need to develop better communications and coordination to demonstrate how cooperatives can be used to carry out various RAD programs and projects.

Training Programs Available for Staff Improvement

■ Albert T. Greatorex

Since the number and types of training courses and programs available for use are too numerous to mention in the time available I will discuss how FCS has taken advantage of training opportunities. Department regulations require that agencies and offices submit an "Annual Inventory and Plan for Training and Development" to the Office of Personnel by July 1 of each year. Agency training needs are reported under the following categories:

1. Orientation and Indoctrination

2. Secretarial, Clerical, and Office

3. Supervisory and Management

4. Scientific, Technical, and Professional

5. Craft, Trade, or Custodial

6. Other

Some of the training needs reported by FCS for 1964, the amounts and types of training submitted to date and other format is presented on the following page.

Type of training	To be trained	Trained	Balance	Cost & salary
Orientation & Indoctrination	2	0	2	-
Sec., Clerical & Office	13	8	5	\$52
Supervisory & Management	8	2	6	1,765
Scientific, Tech. & Prof.	24	4	20	297
Craft, Trade, or Custodial	0			
Other	25	4	21	736
	—	—	—	—
Total	72	18	54	\$2,850

The course, the number of participants, and the cost shown was for outservice training. In addition FCS has rearranged work schedules to permit employees to pursue graduate and undergraduate academic work. In such instances the cost of this training and other related expenses are borne by the employee. Furthermore, FCS has underwritten the formal cost of after hour course work at local colleges and universities in certain instances. Some of the training courses or programs to be considered during the remainder of the fiscal year to satisfy reported needs are the Kepner-Trego "Problem Analysis and Decision Making" courses (spring 1964 session). In addition to training, FCS staff participants contribute to our appraisal of the value and potential of this course work. Other examples of the training under consideration are the "Secretarial-Clerical" courses. Each Division will be encouraged to attend this formal outservice short course.

Inservice training under consideration is a course entitled "Accounting and Financial Management." This course, now being organized, will be announced after

the first of the year. Participation will be open to professional employees and will relate to specific cooperative accounting and financial management operations. Included are such topics as revolving funds, taxes and tax problems, and other specific accounting and financial problems of cooperatives.

Short formal secretarial and clerical classes will be held on the preparation and processing of Time and Attendance reports, travel vouchers, and other administrative procedures.

Evaluation of these training courses and programs of FCS employees are being conducted primarily through (a) the participant, who gives a narrative evaluation after taking the course; (b) supervisors, who usually make an assessment a while after the course is over--thus, they can better determine the value of the training to the employee; (c) private interviews that indicate the value added to the employee's performance through the training and that help the supervisor utilize the employee's improved skills.

Guides to Professional Staff Development

■ Martin A. Abrahamsen

In my remarks I am going to direct special attention to the role of the individual in his own professional development. I am doing this since attention was previously given to the Department's role and to the various programs of Farmer Cooperative Service for the development of its staff.

As a basis for your professional development, let me first ask you the question: Are you willing to take a good hard look at yourself?

I believe that a personal inventory should consider: (1) The status of your professional growth, (2) how your attitudes measure up, (3) your understanding of related professional disciplines, and (4) your ability to consider problems in an openminded way--in a way free from prejudice and bias.

A second basic question I would ask you is: Are you willing to make the necessary investments to achieve pro-

fessional success? Here, I can offer you no short cuts--only "hard work, toil, and some tears." To check on yourself, you might wish to ask: Am I willing to work harder and longer? Am I willing to assume new responsibilities? Do I wish to learn new skills and abilities?

It seems to me that your first and basic job, if you are to achieve professional growth, is learning to manage yourself. This involves maintaining and improving physical and mental health, developing good family relationships, determining the limiting factors in your professional development, and then taking steps to do something about them.

Admittedly we all start with different attitudes, habits, and values. They reflect differences in our training, background, and experience. We can modify our various attitudes, habits, and values, however, if we really want to make the necessary investment in professional growth. It is up to us.

FCS Information and Education (Panel)

■ John J. Scanlan, Leader

The work of FCS consists of research, service, and education. Actually, all of it, in the final analysis, is of an educational nature and for educational purposes.

Therefore, our educational work may be considered of prime importance. It is the release, in some form, of information we have collected, determined, or ab-

sorbed from our analyses, studies, conferences, contacts, and other sources.

Our panel will discuss how we can improve our information and educational work. We have divided the topic into four parts. Each of the four panel members will discuss a part as shown on the following page.

Henry W. Bradford -- Our Authorization and Commission.

Oscar R. LeBeau -- Who Are Our Publics?

William R. Seymour -- Wants Versus Needs of Cooperatives.

Beryle E. Stanton -- Reaching Our Publics.

Our Authority and Commission

■ Henry W. Bradford

Our basic authority to provide informational and educational services to farmer cooperatives comes from an Act of Congress, referred to as the 1926 Act.

The following excerpts from the Act point out the emphasis on information and education. The Act states that "The division is authorized --

(1) "To acquire, analyze, and disseminate information regarding cooperative associations in the United States and foreign countries.

(2) "To conduct studies ... and publish the results thereof.

(3) "To make surveys and analyses of cooperative associations; to report to the association so surveyed the results thereof

(4) "To promote the knowledge of cooperative principles and practices and

to cooperate, in promoting such knowledge, with educational and marketing agencies, cooperative associations, and others.

(5) "To make such special studies, in the United States and foreign countries, and to acquire and disseminate such information and findings as may be useful in the development and practice of cooperation."

Dr. Knapp has said, "Our mission, as given us by the Congress, can be summed up in three words--research, service, and education. Farmer Cooperative Service is the only public agency in the United States studying agricultural cooperation in all its phases. It is the main source of public information on agricultural cooperation."

In conclusion: FCS not only has the authority to perform informational and educational activities in the field of agricultural cooperation, but has the responsibility to do so.

Who Are Our Publics?

■ Oscar R. LeBeau

The word "public" has many uses and meanings. But as used in this discussion, the term is roughly synonymous with "special group" or "audience."

Viewed in this light, the question "Who Are Our Publics?" suggests such thoughts as: Who are the groups, agencies, associations...that we strive to serve; to cater

to; to collaborate with? Who are the groups we should focus our energies on? Who are the folks whose eyes, ears, and good will we strive to win?

Our primary, ultimate goal is to be of service to the approximately 4 million farm families that reside in our 50 States. These families, in turn, comprise men, women and youth. Each of these publics has somewhat different interests; each merits separate attention.

Two other major publics are the rural nonfarm families and the urban families. The rural nonfarm population has many of the same community interests the farm population has. The two prosper or decline together. FCS also has a responsibility for improving agriculture's image among urban people; they, too, are taxpayers and voters.

In a vital sense, Congress is an important public any Federal agency needs to heed.

While FCS works with many agencies, associations, and other groups, our agency has no administrative authority over any of them. We have no regional, State, county or local staff. All relations are on a strictly voluntary, cooperative basis. This places a premium on our being able to work with and through other people.

Thus you catch a glimpse of our great family of publics. If this workshop provides us with a clearer perspective of what FCS is here for, and how we can make our efforts count for more, it will have been worth many times the investment of time, money, and effort involved. Knowing our publics is an important step in that direction.

Wants Versus Needs of Cooperatives

■ William R. Seymour

The problem of wants versus needs of cooperatives for FCS information and education fall into three categories:

First is the cooperative that thinks only of the short run--that is the day-to-day operations. Because of this, its wants do not accurately represent its long range needs. In many cases it does not know its basic needs.

The second type is illustrated by the cooperative that sincerely wants information and education. However, its wants reflect only the symptoms of its own needs. It often is unable to determine its true needs without outside help. This type of cooperative usually calls upon outside

agencies to identify needs and to develop ways to deal with them.

Finally, there is the cooperative that needs help but cannot bring itself to ask for it because of the mistaken impression that to do so would reflect a weakness in operations.

There are many needs among today's cooperatives. For example, they need information and education on (1) marketing, (2) patrons, (3) services, (4) credit, and (5) organizational structures.

Our goal in FCS must be to provide the type of information and education that will meet the needs of today's modern

cooperative so that tomorrow's farmer-owned and farmer-managed cooperative

will be a model for the entire free-enterprise system.

Reaching Our Publics

■ Beryle E. Stanton

I am going to confine myself to just one method of promoting cooperative knowledge. That is--more effective use of the News for Farmer Cooperatives.

Reasons why the FCS staff is not making fuller use of the News pages are probably many and varied. I have chosen five to discuss briefly.

1. You are too busy and race right on to another project. Perhaps a research project should not be closed out until an article on it appears in the News.

2. You don't think of it. Since the News is the FCS magazine, the News Committee and the "bosses" all need to put some special emphasis on getting articles in the magazine.

3. Some of you think one basic technical research report is the end product. The busy manager, however, may put a long report into a "hold for future reading pile." Whet his interest with a News

story and he may dig the long report out and read it more intensively.

4. Some of you get mental blocks on writing News articles. If you'll merely talk off a story to your secretary, or jot down the facts and bring these to the News staff, we will be glad to work with you on a finished article.

5. And finally--and this one is really hard for the Editor of the News to get out--some of you may think the News is of no use to you. I can show you hundreds of letters that have come in--voluntarily and all giving reasons why the writers think the News is of value to them.

In actuality, the News can give you relaxed readership, more flexibility, more opportunity to use a style to attract readers, and a better chance to get your research findings out quickly.

In other words--get the words down and our research reporting up!

SESSION V

Problem Areas Needing Future FCS Assistance

Problems in Rural Development

■ Paul C. Wilkins

The Rural Areas Development (RAD) Program is a cornerstone of the Department's agricultural program for the 1960's. Many ongoing programs of the Department cannot be wholly successful unless RAD succeeds.

Farmer Cooperative Service has been given specific responsibilities in RAD. They are: (1) To assist in the overall planning of the RAD program, (2) to provide technical assistance in the organization and operation of rural cooperatives, (3) to provide research, advisory service, and educational assistance on problems facing farmer cooperatives, and (4) to coordinate all activities of the Department relating to cooperatives.

Questions farmer cooperatives and FCS need to answer in working toward the objectives of RAD include:

1. How can FCS help cooperatives to better understand and participate more actively in the RAD program?
2. How can cooperatives best meet the needs of low-income farmers -- particularly Negro farmers in the South and small-scale farmers in Appalachia?
3. How can the Washington-based FCS staff best contribute to locally oriented RAD projects?
4. What is FCS's responsibility in the outdoor rural recreation program?

Problems in International Cooperative Development

■ James A. Black

International cooperative development is one way of contributing to overall eco-

nomie and social development. The objective of such efforts is the same in

rural America as anywhere else in the world to allocate human and natural resources to provide better standards of living for all people.

The magnitude of the problems and, of course, the necessary means of correcting deficiencies differ drastically in different environments. Fundamentally the introduction of education and technology to a society is needed before growth rates can accelerate.

The countries of most concern to us are those in the relatively early stages of development. Generally speaking, there are four conditions of economic development that are in critical need of attention

in these early stages: (1) Labor is immobile. (2) Investment capital is low. (3) Technical changes are slow. (4) Supply elasticities of resources are low.

The problems of international cooperative development are to find the most efficient way to stimulate the factors conditioning economic development.

The most formidable problem in developing viable cooperatives is lack of education. This is a problem at all levels, from potential members to management to governmental officials. If cooperatives can improve such conditions, and we think they can, they should--using every educational media available.

Problems in Developing Market Power

■ Clayton P. Libeau

There are numerous ways to develop marketing power including buying, acquiring and developing patron loyalty, brand names, copyrights, marketing contracts, property rights, patent rights and other methods.

As long as market power can be measured by a cooperative's capacity to practice price discrimination some of the problems involved can be detected by asking the following questions:

1. How much market power can a cooperative effectively handle in purchasing production supplies and marketing commodities?

2. What should cooperatives seek in acquisition of competitive firms, mergers

and consolidation of other cooperatives that can help to create market power?

3. Are cooperatives making satisfactory progress in the use of contracts, marketing orders, production allotments, advertising, tax rules and other known legal devices to enhance marketing power?

4. How much of the consumer's price for products and services should cooperatives seek for its patrons?

5. What should farmer cooperatives sell and buy for their patrons--labor, a commodity, land, buildings, money, or know-how?

6. Where and when should a farmer cooperative exercise market power?

7. How much market power can a cooperative exercise and practice in county, state, national and international areas?

While the solutions to problems are being determined every cooperative can be a better bargaining cooperative.

Problems in Developing Efficient Cooperative Operations

■ Homer J. Preston

Service at cost is recognized as a major feature of cooperatives. To be truly effective, however, cooperatives must also operate efficiently or service at cost provides no benefit.

FCS has recognized this and has undertaken studies of efficiency as a part of its program. At least 10 of the 14 branches have conducted such studies. They range from studies of partial operations such as multiquart milk containers, to total plant costs in grain elevators. The question then is: Are we doing enough? And are we doing the right kind of studies to be of assistance to cooperatives in improving efficiency?

Major emphasis has been on studies related to efficiency problems of existing facilities as for example: How can you cut costs? These are important, but the potential gains may be limited. The major efficiency question may be in the area of adequate size, or location on an industry-planning curve.

Plant size considerations, in turn, open up four major problem areas:

1. Organization--federated vs. centralized, voting and member control, differential pricing, and so forth.

2. Operation--services, patrons, plant location, and vertical and horizontal integration.

3. Management--personnel selection and training, director selections and training, and the entire area of member and public relations.

4. Finance--how can capital needs be met, financial planning, and so forth?

The main concern should be to improve the relationship between input and output without destroying the basic character of the cooperative.

SESSION VI

Looking Ahead

Report of Study Group A

■ Thomas A. Camp, Reporter

Farmer Cooperative Service has taken an active role in Rural Areas Development (RAD). This study group recommends that we intensify and expand our efforts in this work by every possible means.

First, we need to inform cooperative management about RAD. We need to explain the Rad program, its aims, and how cooperatives can get help from FCS and from State or county Technical Action Committees.

Second, we need to establish two-way communications with local leaders. We need to be "in on the ground floor" when plans are being developed. We need to have current information on developments at the local level, if we are to be effective. FCS has no field offices and only a small staff. Therefore, we must

maintain two-way communications with Banks for Cooperatives, State colleges, and other Government agencies.

Third, we should take advantage of every opportunity to coordinate and follow up on RAD activities. This unit would act as a clearing house on all RAD research and FCS service reports having to do with areas that have RAD projects. Researchers also would be advised of any RAD problems in areas where FCS feasibility studies are to be made so that these could be incorporated into the overall investigation.

These three things point the way in helping cooperatives decide what their role in RAD should be and in guiding the development of FCS programs in research, service, and education.

Report of Study Group B

■ Edwin E. Drewniak, Reporter

Group B participants discussed the question, "What should FCS do to assist

in International Development of Cooperation?" We agreed that future FCS efforts

could fall logically within the framework of its research, service, and educational functions, with priority given to education. We agreed that developing or emerging nations might well be given much greater attention than "advanced" nations.

Cooperation with organizations equipped for international work--Pan American Union, Agency for International Development, Food and Agriculture Organization of the United Nations, among others--should be encouraged.

Special attention, it was felt, is needed in overcoming communication problems. All means of communication--films, film

strips, picture pamphlets, and others--should be used. Subject matter should be basic and presented in a clear fashion. A primer on cooperation--what it is and how it operates--might well be prepared. A bibliography of educational materials available from various sources--colleges and universities, Extension Service, Banks for Cooperatives, and others--was suggested also.

Training for cooperative officials and employees from these countries should be encouraged further. Training FCS now provides ought to be continued. Arrangements for special training in the home country of these trainees might be explored to advantage.

Report of Study Group C

■ Donald R. Davidson, Reporter

Our first objective was to define the term "bargaining power." We agreed that bargaining power is "the ability to influence price and other terms of sale." Market power, to many in our group, was synonymous with bargaining power.

Next we talked about how to control quantity or volume and how State and Federal marketing orders affect bargaining power.

It seemed axiomatic to most of us that cooperatives would have to control production in order to control supply. It was quickly pointed out that "cooperatives cannot legally control production..." But, they can contract with producers for specific amounts--which is a form of indirect control. Then we agreed that either production control or movement control, wisely used,

would greatly enhance a cooperative's bargaining power.

Bargaining power in small, inefficient cooperatives is extremely weak. Long-term surplus conditions of agriculture and uncertainty of supply hinder cooperatives' bargaining efforts. How can these be counteracted? The simplest method would seem to be contractual agreements between producers and cooperatives.

We think the farmer's ultimate bargaining position would be stronger in a centralized cooperative than a federated cooperative. Thus, our group felt that cooperatives need much more centralization of decision-making.

In closing, we believe FCS should do the following to strengthen cooperatives'

bargaining power: (1) Clarify problems facing cooperatives, (2) provide guides for integrating horizontally or vertically, (3) study different phases of integration in

more depth, and (4) help cooperatives to decide if they are going to be production-oriented processing-oriented, or retail-oriented...or completely integrated.

Report of Study Group D

■ Lyden C. O'Day, Reporter

Study group "D" had the assignment of highlighting some of the major obstacles to developing efficient cooperative operations.

The group realized that due to the very nature of their objectives, some cooperatives would have operational problems. For example, Rural Electrification Administration's objective to serve all rural people in a given area--regardless of the number of customers per mile--recognizes some inherent operational inefficiencies.

The group also agreed that another obstacle to achieving efficient cooperative operation was lack of adequate business volume.

The group concluded that in order to achieve greater operational efficiency, cooperatives would need to devote more research, study, and education to the following two broad problem areas:

1. What method of study or investigation will most likely produce an accurate

and useful measure of operational efficiency?

2. The most efficacious way to motivate members to adopt new and more efficient methods of operation when doing so will disrupt the status quo.

The group discussed several other problems in developing efficient cooperative operations. Most of the discussion related to one of the six following topics:

1. Differential pricing.

2. Problems caused by urban growth.

3. Need for altering services to meet changing technological conditions.

4. Combining two or more cooperatives to achieve greater operational efficiency.

5. Degree of vertical integration necessary to achieve long-run goals of cooperatives.

6. Promoting better member relations.

Closing Remarks

■ Joseph G. Knapp

I have been impressed by the spirit and efficiency of this our 26th Annual Work-

shop, and I give great credit for this to our able Program Committee under the Chair-

manship of Wendell McMillan. In particular, I have liked the way in which all members of the staff have freely participated in the discussions of common problems. It has been a Workshop in fact as well as in name.

I think we can be especially proud of our first day's program, which we opened up to representatives of other agencies in the Department. The good attendance from various agencies indicates the broad and growing interest by other Departmental agencies in the work we do.

I believe the panel discussion Monday afternoon was the finest general presentation of the RAD program that I have heard--and it was significant that all the speakers on the panel recognized how farmer cooperatives could help in this great effort.

I was impressed by another thing in this year's Workshop. Although in recent years we have lost several of our seasoned workers, we have been building strong replacements.

It is most gratifying to me to see how our younger members of staff are taking hold of new responsibilities and maintaining and building our program as an ongoing effort. I cite as one example the talk of Dr. Martin A. Blum, "Approaches to Theoretical Analysis of Cooperative Enterprises." This is a thoughtful presentation that helps open the way for us.

I am not afraid of the future as long as we have a staff of high quality who are not afraid of the problems that lie ahead. That is the way to meet the future--with a relish.

Workshop Participants

Visiting Speakers

Ayers, Thomas L.	Assistant to the Director, Conservation and Land Use Division, Agricultural Stabilization and Conservation Service
Baker, John A.	Assistant Secretary of Agriculture
Crites, Robert S.	Recreation Specialist, Farmers Home Administration
Greatorex, Albert T.	Chief, Employee Development, Safety and Incentives Branch, Office of Management Services
Hausler, Richard M.	Director, Rural Areas Development, Rural Electrification Administration
Kiefer, Charles F.	Director, Office of Management Services
Koffsky, Nathan M.	Administrator, Economic Research Service
Mace, A. Turley	Director, Office of Rural Areas Development
Moore, William D. Jr.	Coordinator of Rural Area Development Activities, Southern States Cooperative, Richmond, Virginia
Murphy, Charles S.	Under Secretary of Agriculture
Naden, Kenneth D.	Executive Vice President, National Council of Farmer Cooperatives, Washington, D. C.
Ogren, Kenneth E.	Director, Marketing Economics Division, Economic Research Service
Partain, Lloyd E.	Assistant to the Administrator, Soil Conservation Service
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Allen, George C.	Farm Supplies Branch
Biggs, Gilbert W.	Fruit and Vegetable Branch
Black, James A.	Membership Relations Branch
Blum, Martin A.	Chief, Fruit and Vegetable Branch
Bradford, Henry W.	Chief, Cotton and Oilseeds Branch
Byrne, Robert J.	Chief, Transportation Branch
Camp, Thomas A.	Transportation Branch
Davidson, Donald R.	Dairy Branch
Drewniak, Edwin E.	Poultry Branch
Haas, John T.	Livestock and Wool Branch
Hulse, Fred E.	Fruit and Vegetable Branch
Knapp, Joseph G.	Administrator
LeBeau, Oscar R.	Membership Relations Branch
Libeau, Clayton P.	Poultry Branch
Mather, J. Warren	Chief, Farm Supplies Branch
McMillan, Wendell M.	Assistant Director, Marketing Division
Monroe, William J.	Dairy Branch
O'Day, Lyden C.	Farm Supplies Branch
Preston, Homer J.	Director, Purchasing Division
Scanlan, John J.	Chief, Poultry Branch
Seymour, William R.	Frozen Food Locker Branch
Volkin, David	Chief, Business Administration Branch
Wilkins, Paul C.	Chief, Frozen Food Locker Branch

Program Committee

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Theodore R. Eichers	Farm Supplies Branch
Fred E. Hulse	Fruit and Vegetable Branch
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Oscar R. LeBeau	Membership Relations Branch
Harry E. Ratcliffe	Poultry Branch
Joseph E. Rickenbacker	Transportation Branch
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Highlights Committee

Bert D. Miner, Chairman	Frozen Food Locker Branch
James A. Black	Membership Relations Branch
Harold K. Jolley	Fruit and Vegetable Branch

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Earl B. Miller	Dairy Branch	

